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Reverse Mortgage Information Online

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ON - LINE

Reverse Mortgage Information OnLine

Reverse mortgages are a valuable tool that allow seniors to tap their home's equity. However, there are traps for the unwary.

By Robin Schard

Like spinning hay into gold, reverse mortgages allow seniors to transform equity in their home into liquid assets. As the princess found out in the fairy tale, however, it is never that simple.

Generally speaking, a reverse mortgage allows homeowners over the age of sixty-two to take a mortgage on their home. The homeowner receives money, but, unlike a normal mortgage, the homeowner does not begin paying back the loan. The loan is paid back when the homeowner no longer resides in the home because the property is sold, the owner moves elsewhere, or the owner dies. The lender does not take the title to the house, and the amount of repayment cannot exceed the value of the property. Of course, there are many little details. For example, the mortgage must be on the senior's principal residence, there must be little or no debt outstanding on the property, and the

loan might become due if the owner fails to maintain the property or does not pay taxes and insurance.

The age of the owner, the value of the home, and the location of the property determine the amount of the loan. The loan can be paid out in a lump sum, as monthly payments, or as a credit line. The interest on the loan is added to the principal, and as with other mortgages, there are origination fees, plus closing and other costs.

There are basically three types of reverse mortgages. The first is the FHA-insured Home Equity Conversion Mortgages (HECM). The purpose of this program, as described in 15 U.S.C. §1715z-20, is to "meet the special needs of elderly homeowners by reducing the effect of the economic hardship caused by the increasing costs of meeting health, housing and subsistence needs at a time of reduced income. . . ."¹ This type of loan has flexible payment options, may allow for smaller loans than the other two types,² and requires that the mortgagee receive counseling before executing the loan.³

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The second type of reverse mortgage, lender-insured, may provide a larger amount of money, but the costs are usually higher than the federally-insured loans.⁴ The final type, uninsured reverse mortgages, typically only allow monthly advances for a fixed period of time after which the mortgagee must begin making repayments.⁵

Because of the emphasis on counseling,⁶ some bad experiences with unscrupulous mortgage companies,⁷ and mortgagors' historic reluctance to provide reverse mortgages due to the perceived risks,⁸ the Internet has become a repository for detailed information on reverse mortgages from both the consumer's and the lender's perspective.

AARP

<http://www.aarp.org/revmort>

Due to the age of people receiving reverse mortgages and the dire effects of unscrupulous practices, AARP has taken a lead role in educating consumers about reverse mortgages. In print, the AARP publishes *Home Made Money: A Consumer Guide to Reverse Mortgages*, which can be ordered or viewed from this website for free. (It is a large file since the publication is about seventy-two pages long.) The AARP website, which deals with reverse mortgages, is also very detailed. "Exploring Reverse Mortgages" provides information on every aspect of this type of mortgage, from identifying the best features to choosing a lender. Although the page has a table of contents with links to any part of the publication, the website directs the user to read the entire site through first.

The Loan Calculator allows users to figure out the amount of money they could receive from a reverse mortgage based on age, value of the home, and zip code. The AARP site also has a glossary of related terms and links to other relevant resources.

National Center for Home Equity Conversion

<http://www.reverse.org>

According to this site, the National Center for Home Equity Conversion's mission is to educate consumers about reverse mortgages. The site works in tandem with the information provided by the AARP. It is designed for someone with a basic knowledge of reverse mortgages. The site does, however, provide simple information about this type of mortgage in the Q & A sections. The HECM Documents section of the page directs the user to the federal statute, regulations, and HUD documents related to the Home Equity Conversion Mortgage program. A timeline of the development of reverse mortgages is included under the History link. The Loan Comparison section includes side-by-side tables comparing the funds and costs of different programs. The Updates portion contains recent changes in laws or industry practices, and the Bibliography has a list of print and online sources describing reverse mortgages. This site also has several links to other useful resources, such as life expectancy tables, interest rates, reverse mortgage lenders and more.

U.S. Department of Housing and Urban Development

<http://www.hud.gov/buying/rvrsmort.cfm>

This page begins with a basic ten-point explanation of a reverse mortgage, and continues with a description of how HUD's program works under the Reverse Mortgage Description section. The Reverse Mortgage Calculator only sends the user to the NCHC page (above). The HUD Approved Housing Counseling Agencies link allows users to browse or locate, by state, statutorily-mandated counselors. The HUD Approved Lenders link lets the researcher search for a lender by a number of criteria, including city, state, size, or programs offered (HECM and other types). The Information for Senior Citizens link has links to other housing-related information of interest to seniors, such as finding in-home help or finding other types of housing.

The main page for this Department (<http://www.hud.gov>) also provides information for lenders, such as Mortgagee Letters, as well as information for brokers, appraisers, and other groups.

On HUD's Office of Housing (FHA) portion of the web site (<http://www.hud.gov/offices/hsg/index.cfm>), the researcher can locate FHA Mortgage Limits in the Online Systems section. This list is searchable by state, county or city (MSA=Metropolitan Statistical Area). The same search fields are also available to locate approved appraisers. The resulting list provides the address, license number and expiration date for each appraiser.

HUD's final report to Congress on the HECM program is also available on HUD's page (<http://www.huduser.org:80/publications/hsgfin/noplace.html>). The report, entitled "No Place Like Home," was completed on March 31, 2000, and contains an evaluation of the program, demographic statistics, legal considerations and more.

Online Reverse Mortgage Calculator

<http://www.reverseweb.com>

Ibis Capital, a producer of reverse mortgage software, provides this Internet calculator. The calculator estimates and compares loan amounts based on age, home value and zip code. The user can also get more detailed information by answering additional questions on how the owner would like to receive funds from the mortgage. Furthermore, the worksheet with all of the calculations is available. The site also has some basic information about reverse mortgages.

National Reverse Mortgage Lenders Association

<http://www.reversemortgage.org>

Since a trade association maintains this site, it includes industry information, such as membership benefits, upcoming conferences, and recent changes in governmental regulation. There is, however, non-industry information loaded on this page. For example, the Consumer Fact Sheet provides a description of reverse mortgages and the different programs available that will be very clear to consumers. The Steps in Getting a Loan section is even more basic

than the Fact Sheet. This site also has a geographical list of lenders and the products they provide, divided by state. There is a long list including every state, as well as a separate list for each individual state. (The separate state list is better when printing the list.)

KELN Bibliography: Reverse Mortgages

<http://www.keln.org/bibs/bibindex.html>

The Kansas Elder Law Network (KELN), developed at the University of Kansas, provides useful information on many issues, including annotated bibliographies on several different topics. Of particular interest is the "Reverse Mortgage 1999 Update," written by Julie Hower, which provides a list of books, articles, cases, and laws relating to reverse mortgages. The bibliography also has a list of Internet resources and related associations. The original 1996 bibliography by Ronald Sullivan provides more law-related information, such as relevant provisions of the Truth in Lending Act and state statute citations.

Fannie Mae

<http://www.eFannieMae.com>

The path for finding most reverse mortgage information on this site is Single-Family Lending Community, Originating & Underwriting, Mortgage Products, Reverse. This page has paragraph-long descriptions of each of the reverse mortgage products available through Fannie Mae, namely HECM, Home Keeper Mortgage and Home Keeper for Home Purchase Mortgage, and a link to a list of publications. The pub-

lications can be requested via e-mail and include information for lenders, such as the "Reverse Mortgage Selling and Servicing Guide" (which is also available online), and for borrowers, such as "Money From Home." The site also has more detailed information about the three reverse mortgage products. Fannie Mae maintains a separate page for information about the corporation (<http://www.fanniemae.com>).

Financial Freedom Senior Funding Corporation (FFSFC)

<http://www.fffsc.com>

This corporation claims to be the largest private reverse mortgage direct lender in the United States, but it does not operate in all states. The researcher can find basic information about reverse mortgages in either the Reverse Mortgages Explained section or the Question and Answers about Our Products link. In addition to the Fannie Mae and HECM mortgages, FFSFC also offers the Financial Freedom Cash Accounts. Although this website does not provide many details on this product, in the Reverse Mortgage Products section there is a link that lists in which states the Cash Accounts are available. The Wholesale Lending section has a PowerPoint Presentation outlining the main features of the FHA and Fannie Mae programs.

Other Lenders

Many other lenders also provide information about their reverse mortgage products on the Internet. Typically, these sites include very basic information about reverse mortgages, some description of the products

offered, and the companies' contact information. Two examples of this type of page are the Wells Fargo page (<http://www.wellsfargo.com/>) and the smaller Farwest site (<http://www.farwestmortgage.com/>). If interested in finding other lenders, the researcher can either visit the HUD or National Reverse Mortgage Lenders Association websites listed above or use a search en-

gine, such as Altavista (<http://www.altavista.com/>), to locate other reverse mortgage companies' websites.

Endnotes

1. 15 U.S.C. §1715z-20(a)(1).
2. Reverse Mortgages (October 1993), *available at* <http://www.ftc.gov/bcp/conline/pubs/homes/rms.htm>.
3. 15 U.S.C. §1715z-20(d)(2)(B).
4. Reverse Mortgages, *supra* note 2.
5. *Id.*
6. 15 U.S.C. §1715z-20(d)(2)(B).
7. See Jean Reilly, *Reverse Mortgages: Backing into the Future*, 5 ELDER L. J. 17, 20-25. (1997).
8. *Id.* at 26-31.

Websites Mentioned in This Column:

- AARP <http://www.aarp.org/revmort>
- Altavista <http://www.altavista.com>
- Fannie Mae <http://www.eFannieMae.com>
- FHA <http://www.hud.gov/offices/hsg/index.cfm>
- Farwest <http://www.farwestmortgage.com>
- Financial Freedom Senior Funding Corp. <http://www.fff senior.com>
- Housing and Urban Development
No Place Like Home
Office of Housing
Reverse Mortgage Page
<http://www.hud.gov>
<http://www.huduser.org:80/publications/hsgfin/noplace.html>
<http://www.hud.gov/offices/hsg/index.cfm>
<http://www.hud.gov/buying/rvrsmort.cfm>
- KELN Bibliographies <http://www.keln.org/bibs/bibindex.html>
- National Reverse Mortgage Lenders Assoc. <http://www.reversemortgage.org>
- Nat'l Center for Home Equity Conversion <http://www.reverse.org>
- Online Reverse Mortgage Calculator <http://www.reverseweb.com>
- Reverse Mortgages <http://www.ftc.gov/bcp/online/pubs/homes/rms.htm>
- Wells Fargo <http://www.wellsfargo.com>

Call for Articles for Symposium Issue: Planning and Living Retirement Abroad

Proposal Due: Monday, November 5, 2001. Please include a description of your topic in one page, double spaced. Electronic proposals are accepted at elderlaw@marquette.edu.

Criteria for Selection for Publication: The editors of *ELDER'S ADVISOR* will review each proposal for clarity of exposition, accuracy of statements of law, and relevancy to our audience of practitioners and researchers in issues of elder law and post-retirement planning.

Manuscripts Due: Monday, January 14, 2002. Manuscripts should be prepared according to the author guidelines included at the back of each issue of *ELDER'S ADVISOR*.

Costa Rica. Tuscany. Oaxaca, Mexico. The current hot spots are Ecuador, Panama, and Croatia. Foreign shores and cities are beckoning to prospective retirees as never before. Usually well traveled, many want to plan well in advance for such a move. Living away from the familiar benefits and hassles of home is always cause for apprehension. When your former home is the richest country in the world, and your health and economics are more vulnerable than in your high-cash-flow working years, prudence dictates careful personal and financial arrangements.

Many are finding the rewards to be great. The current strength of the dollar makes the cost of living in less developed countries an even greater bargain than usual. The needs of frail elders may more easily and agreeably be met where personal assistance is affordable on most American retirement incomes. In Mexico, for example, the wage for a day's domestic help is the equivalent of \$3.60. Even if a retiree cannot deliver an outsize economic impact, most countries are happy to host an American with a steady permanent income from Social Security and pension.

Issues concerning income, taxes, health care, and security are all planning issues. Less reliable electricity, postal services and bureaucrats are realities many must anticipate.

CALL FOR ARTICLES: Have you researched the logistics of expatriate retirement living for your clients? Do you specialize in South America or the south of France? Have you negotiated the real estate market in Italy or the health care market in Brazil? Have you adjusted your client's expectations to include the ongoing reality of American taxes? Have you counseled a client who is considering giving up U.S. citizenship?

Perhaps you have handled just one issue for a client already living abroad—guardianship in Scotland, for example, or the reliability of cancer drugs and treatment in Panama.

ELDER'S ADVISOR plans a symposium issue in 2002 on the issues of retirement abroad. This CALL FOR ARTICLES seeks short descriptions of the issues which will need to be discussed. Our editors will review all proposals and provide a specialized issue that, in our experience, is likely to be a resource in practice and research far beyond the quarter in which it is released.

It is a cliché that the world is getting smaller. It is a reality that the dynamic environment of Hong Kong is only one or maybe two uncomfortably long flights away (at least three movies, two meals, several snacks, and a bone-weary nap). As the peripatetic baby boomers consider retirement, professionals are seeking the information and anecdotal experiences that will enable them to guide their clients to plan well.